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CNT GROUP LIMITED

北海集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 701)

**ANNOUNCEMENT OF RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

FINANCIAL HIGHLIGHTS			
Results	Year ended 31 December		Change %
	2025 HK\$'000	2024 HK\$'000	
Revenue	267,719	345,901	-22.6
Gross profit	118,010	144,565	-18.4
Gross profit margin	44.1%	41.8%	5.5
Loss for the year	(66,699)	(89,423)	-25.4
Loss attributable to:			
Shareholders of the Company	(55,139)	(77,375)	-28.7
Non-controlling interests	(11,560)	(12,048)	-4.1
Loss per share (HK cents)			
Basic and diluted	(2.90)	(4.06)	-28.7
	As at 31 December 2025 HK\$'000	As at 31 December 2024 HK\$'000	Change %
Financial Position			
Cash and cash equivalents and pledged deposits	330,166	308,948	6.9
Bank borrowings	141,388	137,618	2.7
Gearing ratio	11.8%	11.3%	4.4
Net asset value per share (HK\$)	0.68	0.70	-2.9
Shareholders' funds per share (HK\$)	0.63	0.64	-1.6

The board (the “Board”) of directors of CNT Group Limited (the “Company”) announces the consolidated annual results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2025 together with comparative amounts for the corresponding year in 2024 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2025

	Notes	2025 HK\$'000	2024 HK\$'000
REVENUE	3	267,719	345,901
Cost of sales		<u>(149,709)</u>	<u>(201,336)</u>
Gross profit		118,010	144,565
Other income and gains, net	3	18,650	17,857
Selling and distribution expenses		(41,874)	(50,644)
Administrative expenses		(102,695)	(96,161)
Reversal of provision/(provision) for impairment of trade and bills receivables, net		10,475	(23,843)
Other expenses, net		(12,213)	(29,789)
Fair value losses on investment properties	10	(55,895)	(46,604)
Finance costs	4	(5,750)	(7,012)
Share of profits and losses of an associate		<u>1,178</u>	<u>1,480</u>
LOSS BEFORE TAX	5	(70,114)	(90,151)
Income tax credit	6	<u>3,415</u>	<u>728</u>
LOSS FOR THE YEAR		<u>(66,699)</u>	<u>(89,423)</u>
ATTRIBUTABLE TO:			
Owners of the parent		(55,139)	(77,375)
Non-controlling interests		<u>(11,560)</u>	<u>(12,048)</u>
		<u>(66,699)</u>	<u>(89,423)</u>
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HODLERS OF THE PARENT	7		
Basic and diluted		<u>HK(2.90) cents</u>	<u>HK(4.06) cents</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2025

	2025 HK\$'000	2024 HK\$'000
LOSS FOR THE YEAR	<u>(66,699)</u>	<u>(89,423)</u>
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	31,915	(26,913)
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:		
Changes in fair value of equity investments designated at fair value through other comprehensive income	<u>5,411</u>	<u>(4,554)</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	<u>37,326</u>	<u>(31,467)</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	<u><u>(29,373)</u></u>	<u><u>(120,890)</u></u>
ATTRIBUTABLE TO:		
Owners of the parent	(23,467)	(103,738)
Non-controlling interests	<u>(5,906)</u>	<u>(17,152)</u>
	<u><u>(29,373)</u></u>	<u><u>(120,890)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2025

	Notes	2025 HK\$'000	2024 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	366,426	376,058
Investment properties	10	691,863	725,819
Property under development		28,000	28,000
Right-of-use assets		43,030	45,275
Interest in an associate		1,916	2,302
Equity investments designated at fair value through other comprehensive income		34,868	29,457
Deposits for purchases of property, plant and equipment		2,901	3,971
Deposits and prepayments		832	796
Deferred tax assets		18,993	18,974
		<hr/>	<hr/>
Total non-current assets		1,188,829	1,230,652
CURRENT ASSETS			
Inventories		17,331	18,664
Trade and bills receivables	11	67,147	105,509
Prepayments, deposits and other receivables		43,869	53,611
Pledged deposits		14,691	22,207
Cash and cash equivalents		315,475	286,741
		<hr/>	<hr/>
Total current assets		458,513	486,732
CURRENT LIABILITIES			
Trade and bills payables	12	87,423	125,437
Other payables and accruals		49,234	50,897
Due to an associate		2,800	2,800
Interest-bearing bank borrowings		75,500	137,618
Lease liabilities		3,549	3,511
Tax payable		13,494	12,208
		<hr/>	<hr/>
Total current liabilities		232,000	332,471
NET CURRENT ASSETS			
		<hr/>	<hr/>
		226,513	154,261
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<hr/>	<hr/>
		1,415,342	1,384,913

	2025	2024
	HK\$'000	HK\$'000
NON-CURRENT LIABILITIES		
Lease liabilities	929	2,889
Interest-bearing bank borrowings	65,888	–
Deferred tax liabilities	47,869	51,477
Deferred income	–	52
Deposits received	6,334	6,900
	<hr/>	<hr/>
Total non-current liabilities	121,020	61,318
	<hr/>	<hr/>
Net assets	1,294,322	1,323,595
	<hr/> <hr/>	<hr/> <hr/>
EQUITY		
Equity attributable to owners of the parent		
Issued capital	190,369	190,369
Reserves	1,005,725	1,029,192
	<hr/>	<hr/>
	1,196,094	1,219,561
Non-controlling interests	98,228	104,034
	<hr/>	<hr/>
Total equity	1,294,322	1,323,595
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NOTES TO FINANCIAL STATEMENTS

1.1 BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with HKFRS Accounting Standards (which include all Hong Kong Financial Reporting Standards (“HKFRSs”), Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, and the applicable disclosures required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and equity investments designated at fair value through other comprehensive income, which have been measured at fair value. These consolidated financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand (“HK\$’000”) except when otherwise indicated.

1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following amended HKFRS Accounting Standards for the first time for the current year’s consolidated financial statements.

Amendments to HKAS 21

Lack of Exchangeability

The nature and the impact of the amended HKFRS Accounting Standards are described below:

Amendments to HKAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosure of information that enable users of financial statements to understand the impact of a currency not being exchangeable. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of entity, where appropriate, at the date of initial application. The amendments to HKFRS Accounting Standards has no material impact on the Group’s financial statements.

2. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments as follows:

- (a) the paint products segment engages in the manufacture and sale of paint and coating products through CPM Group Limited (the “CPM”, together with its subsidiaries collectively as the “CPM Group”);
- (b) the property investment segment comprises:
 - (i) the investment in residential properties, commercial properties and industrial properties for their rental income potential; and
 - (ii) the development and sale of properties;
- (c) the hotel business; and
- (d) the others segment comprises, principally, investment holding.

The chief operating decision-maker regularly reviews the operating results of the operating segments of the Group separately for the purposes of resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the profit/loss before tax of the Group except that interest income, finance costs, as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted on mutually agreed terms.

Year ended 31 December 2025	Paint products HK\$'000	Property investment HK\$'000	Hotel business HK\$'000	Others HK\$'000	Total HK\$'000
Segment revenue					
Sales to external customers	222,679	33,456	11,584	–	267,719
Intersegment sales	–	2,477	3	–	2,480
Other income and gains, net	6,439	112	–	6,650	13,201
Intersegment other income and gains, net	–	545	–	6,204	6,749
	<u>229,118</u>	<u>36,590</u>	<u>11,587</u>	<u>12,854</u>	<u>290,149</u>
<i>Reconciliation:</i>					
Elimination of intersegment sales					(2,480)
Elimination of intersegment other income and gains, net					<u>(6,749)</u>
Total					<u><u>280,920</u></u>
Segment results	(35,858)	(27,388)	1,212	12,408	(49,626)
<i>Reconciliation:</i>					
Elimination of intersegment results					(6,204)
Interest income					5,449
Finance costs					(5,750)
Corporate and other unallocated expenses					<u>(13,983)</u>
Loss before tax					<u><u>(70,114)</u></u>
Segment assets	391,788	801,199	261,224	38,375	1,492,586
<i>Reconciliation:</i>					
Corporate and other unallocated assets					226,790
Elimination of inter-company receivables					<u>(72,034)</u>
Total assets					<u><u>1,647,342</u></u>
Segment liabilities	309,065	103,610	5,447	1,584	419,706
<i>Reconciliation:</i>					
Corporate and other unallocated liabilities					5,348
Elimination of inter-company payables					<u>(72,034)</u>
Total liabilities					<u><u>353,020</u></u>

Year ended 31 December 2025	Paint products HK\$'000	Property investment HK\$'000	Hotel business HK\$'000	Others HK\$'000	Total HK\$'000
Other segment information					
Share of profits and losses of an associate	-	(1,178)	-	-	(1,178)
Interest in an associate	-	1,916	-	-	1,916
Depreciation on property, plant and equipment	11,360	1,790	2,051	-	15,201
Corporate and other unallocated depreciation					15
					15,216
Depreciation on right-of-use assets	4,630	1,518	-	-	6,148
Corporate and other unallocated depreciation					7
					6,155
Capital expenditure*	1,622	4	-	-	1,626
Corporate and other unallocated capital expenditure					6
					1,632*
Fair value losses on investment properties	-	55,895	-	-	55,895
Gain on disposal of items of property, plant and equipment, net	(658)	-	-	-	(658)
Gain on lease modification	(364)	-	-	-	(364)
Provision for impairment of deposits for purchase of property, plant and equipment	1,246	-	-	-	1,246
Reversal of provision for impairment of trade and bills receivables, net	(10,470)	-	-	(5)	(10,475)
Reversal of provision for inventories to net realisable value, net	(233)	-	-	-	(233)
Write-off of items of property, plant and equipment	6	-	-	-	6

* Capital expenditure consists of additions to property, plant and equipment and deposits for purchase of property, plant and equipment.

Year ended 31 December 2024	Paint products HK\$'000	Property investment HK\$'000	Hotel business HK\$'000	Others HK\$'000	Total HK\$'000
Segment revenue					
Sales to external customers	298,341	37,711	9,849	–	345,901
Intersegment sales	–	2,538	–	–	2,538
Other income and gains, net	5,400	370	–	5,874	11,644
Intersegment other income and gains, net	–	545	–	5,977	6,522
	303,741	41,164	9,849	11,851	366,605
<i>Reconciliation:</i>					
Elimination of intersegment sales					(2,538)
Elimination of intersegment other income and gains, net					(6,522)
Total					<u>357,545</u>
Segment results					
	(47,788)	(14,895)	(15,893)	11,234	(67,342)
<i>Reconciliation:</i>					
Elimination of intersegment results					(5,977)
Interest income					6,213
Finance costs					(7,012)
Corporate and other unallocated expenses					(16,033)
Loss before tax					<u>(90,151)</u>
Segment assets					
	482,223	830,372	263,212	33,086	1,608,893
<i>Reconciliation:</i>					
Corporate and other unallocated assets					216,925
Elimination of inter-company receivables					(108,434)
Total assets					<u>1,717,384</u>
Segment liabilities					
	381,312	106,424	7,031	2,778	497,545
<i>Reconciliation:</i>					
Corporate and other unallocated liabilities					4,678
Elimination of inter-company payables					(108,434)
Total liabilities					<u>393,789</u>

Year ended 31 December 2024	Paint products HK\$'000	Property investment HK\$'000	Hotel business HK\$'000	Others HK\$'000	Total HK\$'000
Other segment information					
Share of profits and losses of an associate	–	(1,480)	–	–	(1,480)
Interest in an associate	–	2,302	–	–	2,302
Depreciation on property, plant and equipment	12,855	1,993	1,848	1	16,697
Corporate and other unallocated depreciation					14
					16,711
Depreciation on right-of-use assets	4,616	1,517	–	–	6,133
Corporate and other unallocated depreciation					14
					6,147
Capital expenditure*	735	1,406	–	–	2,141
Corporate and other unallocated capital expenditure					30
					2,171*
Fair value losses on investment properties	–	46,604	–	–	46,604
Gain on disposal of items of property, plant and equipment, net	(84)	–	–	(3)	(87)
Loss on revaluation of property, plant and equipment	–	1,311	–	–	1,311
Provision/(reversal of provision) for impairment of trade and bills receivables, net	24,186	–	–	(343)	23,843
Provision for impairment of property, plant and equipment	–	–	15,450	–	15,450
Provision for impairment of right-of-use assets	2,838	–	–	–	2,838
Provision for inventories to net realisable value, net	290	–	–	–	290
Write-off of items of property, plant and equipment	16	–	–	–	16

* Capital expenditure consists of additions to property, plant and equipment.

Geographical information

(a) Revenue from external customers

	2025 HK\$'000	2024 HK\$'000
Hong Kong	48,795	74,782
Mainland China	218,924	271,119
	<u>267,719</u>	<u>345,901</u>

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	2025 HK\$'000	2024 HK\$'000
Hong Kong	567,883	591,903
Mainland China	567,085	590,318
	<u>1,134,968</u>	<u>1,182,221</u>

The non-current assets information above is based on the locations of the assets and excludes deferred tax assets and financial instruments.

Information about major customers

During the years ended 31 December 2025 and 2024, no revenue from any single customer accounted for 10% or more of the total revenue of the Group.

3. REVENUE, OTHER INCOME AND GAINS, NET

An analysis of revenue is as follows:

	2025 HK\$'000	2024 HK\$'000
<i>Revenue from contracts with customers</i>		
Sale of paint products	222,679	298,341
Hotel operation	11,584	9,849
<i>Revenue from other sources</i>		
Gross rental income from investment properties operating leases	33,456	37,711
	<u>267,719</u>	<u>345,901</u>

Disaggregated revenue information for revenue from contracts with customers

For the year ended 31 December 2025	Paint products HK\$'000	Hotel business HK\$'000	Total HK\$'000
<u>Segments</u>			
Types of goods or services			
Sale of paint products	222,679	–	222,679
Hotel operation	–	11,584	11,584
	<hr/>	<hr/>	<hr/>
Total revenue from contracts with customers	222,679	11,584	234,263
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<u>Geographical markets</u>			
Hong Kong	29,800	11,584	41,384
Mainland China	192,879	–	192,879
	<hr/>	<hr/>	<hr/>
Total revenue from contracts with customers	222,679	11,584	234,263
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<u>Timing of revenue recognition</u>			
Goods transferred at a point in time	222,679	–	222,679
Service satisfied over time	–	11,584	11,584
	<hr/>	<hr/>	<hr/>
Total revenue from contracts with customers	222,679	11,584	234,263
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

For the year ended 31 December 2024	Paint products HK\$'000	Hotel business HK\$'000	Total HK\$'000
<u>Segments</u>			
Types of goods or services			
Sale of paint products	298,341	–	298,341
Hotel operation	–	9,849	9,849
	<hr/>	<hr/>	<hr/>
Total revenue from contracts with customers	<u>298,341</u>	<u>9,849</u>	<u>308,190</u>
<u>Geographical markets</u>			
Hong Kong	57,201	9,849	67,050
Mainland China	241,140	–	241,140
	<hr/>	<hr/>	<hr/>
Total revenue from contracts with customers	<u>298,341</u>	<u>9,849</u>	<u>308,190</u>
<u>Timing of revenue recognition</u>			
Goods transferred at a point in time	298,341	–	298,341
Service satisfied over time	–	9,849	9,849
	<hr/>	<hr/>	<hr/>
Total revenue from contracts with customers	<u>298,341</u>	<u>9,849</u>	<u>308,190</u>

An analysis of other income and gains, net is as follows:

	2025 HK\$'000	2024 HK\$'000
Other income and gains, net		
Bank interest income	5,449	6,213
Foreign exchange difference, net	–	255
Government grants*	1,603	438
Government subsidies^	798	1,601
Gain on disposal of items of property, plant and equipment, net	658	87
Gain on lease modification	364	–
Recognition of deferred income	278	278
Recovery of defence costs from derivative action	–	6,421
Refund from termination of Occupational Retirement Schemes	6,552	–
Others	2,948	2,564
	<u>18,650</u>	<u>17,857</u>

* Government grants have been received from certain government authorities of the People's Republic of China (the "PRC") in recognition of the Group's efforts in environmental awareness and protection and technological development. There are no unfulfilled conditions or contingencies relating to these grants.

^ During the year ended 31 December 2025, the PRC tax authority granted to the CPM Group the Advanced Manufacturing Tax Credit Initiative amounting to HK\$651,000 (2024: HK\$1,601,000) under the Announcement No. 43 [2023] of the Ministry of Finance and the State Taxation Administration. There are no unfulfilled conditions or contingencies relating to these government subsidies.

In addition, during the year ended 31 December 2025, the PRC Government granted to the CPM Group the Loan Interest Subsidies and Rewards for Specialised and Innovative Small and Medium-Sized Enterprises amounting to HK\$147,000 (2024: Nil) in accordance with the notice issued by the Department of Industry and Information Technology of Guangdong Province. There are no unfulfilled conditions or contingencies relating to these government subsidies.

4. FINANCE COSTS

An analysis of finance costs is as follows:

	2025 HK\$'000	2024 HK\$'000
Interest on bank borrowings	5,438	6,633
Interest on lease liabilities	312	379
	<u>5,750</u>	<u>7,012</u>

5. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	2025 HK\$'000	2024 HK\$'000
Cost of inventories sold	149,709	201,336
Depreciation of property, plant and equipment	15,216	16,711
Depreciation of right-of-use assets	6,155	6,147
Equity-settled share option expenses, net	100	425
Fair value losses on investment properties	55,895	46,604
Foreign exchange differences, net*	725	(255)
Gain on disposal of items of property, plant and equipment, net*	(658)	(87)
Gain on lease modification*	(364)	–
Loss on revaluation of property, plant and equipment*	–	1,311
Provision for impairment of property, plant and equipment*	–	15,450
Provision for impairment of deposits for purchase of property, plant and equipment	1,246	–
Provision for impairment of right-of-use assets*	–	2,838
Provision/(reversal of provision) for impairment of trade and bills receivables, net	(10,475)	23,843
Provision/(reversal of provision) for inventories to net realisable value, net [@]	(233)	290
Staff termination cost*	2,039	1,324
Write-off of items of property, plant and equipment*	6	16
	<u>6</u>	<u>16</u>

* These balances are included in “Other income and gains, net” for gains and “Other expenses, net” for losses in the consolidated statement of profit or loss.

[@] The balance is included in “Cost of sales” in the consolidated statement of profit or loss.

6. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group has sufficient tax losses brought forward to set off against assessable profits for the year ended 31 December 2025 (2024: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

All subsidiaries of the Group established in Mainland China were subject to the PRC corporate income tax at a standard rate of 25% (2024: 25%) during the year, except for the subsidiaries of the Group which qualified as PRC High and New Technology Enterprise in Mainland China and a lower PRC corporate income tax rate of 15% (2024: 15%) had been applied during the year.

	2025 HK\$'000	2024 HK\$'000
Current – Hong Kong		
Over provision in prior years	–	(376)
Current – Elsewhere		
Charge for the year	1,706	2,650
Under provision in prior years	–	3
Deferred	<u>(5,121)</u>	<u>(3,005)</u>
Total tax credit for the year	<u><u>(3,415)</u></u>	<u><u>(728)</u></u>

The share of tax attributable to an associate amounting to HK\$233,000 (2024: HK\$292,000) is included in “Share of profits and losses of an associate” in the consolidated statement of profit or loss.

7. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic and diluted loss per share is based on the loss for the year attributable to ordinary equity holders of the parent of HK\$55,139,000 (2024: HK\$77,375,000), and the weighted average number of ordinary shares of 1,903,685,690 (2024: 1,903,685,690) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2025 and 2024.

8. DIVIDEND

The directors of the Company have resolved not to recommend the payment of any dividend for the year ended 31 December 2025. (2024: Nil).

9. PROPERTY, PLANT AND EQUIPMENT

For the year ended 31 December 2025, the Group acquired items of properties, plant and equipment at costs of HK\$1,629,000 (2024: acquired items of properties, plant and equipment at costs of HK\$2,171,000 and transferred plant and machinery and a commercial property to investment properties at a fair value of HK\$15,004,000).

10. INVESTMENT PROPERTIES

	2025 HK\$'000	2024 HK\$'000
Carrying amount at 1 January	725,819	772,933
Fair value losses	(55,895)	(46,604)
Transfer from owner-occupied properties	–	15,004
Exchange realignment	<u>21,939</u>	<u>(15,514)</u>
Carrying amount at 31 December	<u><u>691,863</u></u>	<u><u>725,819</u></u>

The investment properties of the Group consist of residential properties, residential and commercial composite building, commercial properties and industrial properties in Hong Kong and the PRC. The directors of the Company have determined that investment properties consist of five classes of assets, i.e., commercial properties and residential and commercial composite building in Hong Kong and residential properties, commercial properties and industrial properties in the PRC during the year (31 December 2024: five classes of assets, i.e., commercial properties and residential and commercial composite building in Hong Kong and residential properties, commercial properties and industrial properties in the PRC), based on the nature, characteristics and risks of each property.

The investment properties of the Group were revalued on 31 December 2025 based on valuations performed by Dudley Surveyors Limited and BMI Appraisals Limited (31 December 2024: BMI Appraisals Limited), the independent professional qualified valuers. The finance department of the Group which reports directly to the senior management selects external valuers to be responsible for the external valuations of the properties of the Group based on market knowledge, reputation and independence of the external valuers, and whether professional standards are maintained by the external valuers.

Fair values of the investment properties of the Group are generally derived by using the income capitalisation method and the market comparison approach. The finance department of the Group discussed with the external valuers on the valuation assumptions and valuation results when the valuations were performed for interim and annual financial reporting.

11. TRADE AND BILLS RECEIVABLES

The trade receivables of the Group represent receivables arising from the leasing of investment properties and the sale of paint products. The Group normally requires its customers to make payment of monthly rentals in advance in relation to the leasing of investment properties. Tenants are usually required to pay security deposits which are held by the Group. The Group's trading terms of the paint business with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one month, extending up to three months for major customers. Each customer has a maximum credit limit.

The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade and bills receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade and bills receivables balances. Trade and bills receivables are non-interest-bearing.

An ageing analysis of the trade and bills receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2025 HK\$'000	2024 HK\$'000
Within three months	45,713	57,477
Over three months and within six months	7,892	7,585
Over six months	<u>13,542</u>	<u>40,447</u>
	<u><u>67,147</u></u>	<u><u>105,509</u></u>

12. TRADE AND BILLS PAYABLES

An ageing analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	2025 HK\$'000	2024 HK\$'000
Within three months	38,845	49,975
Over three months and within six months	25,165	34,389
Over six months	<u>23,413</u>	<u>41,073</u>
	<u><u>87,423</u></u>	<u><u>125,437</u></u>

As at 31 December 2025, except for bills payable with an aggregate carrying amount of HK\$47,777,000 (2024: HK\$69,483,000) were secured by time deposits of HK\$14,691,000 (2024: HK\$21,570,000), the remaining balances are unsecured, non-interest-bearing and normally settled within two months.

13. SHARE OPTION SCHEMES

Share Option Scheme of the Company

The 2022 share option scheme (the “2022 Scheme”) was adopted by the Company on 2 June 2022 pursuant to a resolution passed at the special general meeting of the Company held on the same date. Unless terminated by a resolution in a general meeting or by the Board, the 2022 Scheme remains valid and effective for the period of 10 years commencing on 2 June 2022, after which period no further share options will be issued but, in all other aspects, the provisions of the 2022 Scheme shall remain in full force and effect. Further details are set out in the circular of the Company dated 28 April 2022.

The 2022 Scheme will expire on 1 June 2032. During the years ended 31 December 2025 and 2024, no share options were granted under the 2022 Scheme.

Share Option Scheme of CPM

On 15 June 2022, 80,000,000 share options to subscribe for a total of 80,000,000 new shares of CPM of HK\$0.10 each were granted to three directors of CPM and five employees of the CPM Group under the share option scheme (the “CPM Scheme”) adopted by CPM on 4 June 2020 (the “Adoption Date”). The CPM Scheme was adopted by CPM for the purpose of providing incentives to attract and retain employees of the CPM Group, as well as other eligible participants (including, but not limited to, executive directors, non-executive directors and independent non-executive directors of CPM, any supplier of goods or services to any member of the CPM Group and any customer of the CPM Group) who made contributions to the CPM Group. Unless terminated by resolution in general meeting or by the board of directors of CPM, the CPM Scheme shall be valid and effective for a period of 10 years commencing on the Adoption Date, after which period no further share options will be issued, but in all other respects, the provisions of the CPM Scheme shall remain in full force and effect. Further details are set out in the circular of CPM dated 27 April 2020.

The equity-settled share options granted on 15 June 2022 vest over a period of four years from the date of grant, of which 50% of the share options vested immediately on the date of grant, 20% of the share options vested on 14 June 2023, 10% of the share options vested on 14 June 2024, 10% of the share options vested on 14 June 2025 and 10% of the share options shall vest on 14 June 2026. These share options are exercisable at HK\$0.335 per share and must be exercised within five years from the date of grant, and if not so exercised, the share options shall lapse.

The following share options were outstanding under the CPM Scheme during the year ended 31 December 2025:

	2025		2024	
	Weighted average exercise price HK\$ per share	Number of share options	Weighted average exercise price HK\$ per share	Number of share options
At 1 January	0.335	70,000,000	0.335	80,000,000
Lapsed during the year	0.335	<u>(10,000,000)</u>	0.335	<u>(10,000,000)</u>
At 31 December	0.335	<u>60,000,000</u>	0.335	<u>70,000,000</u>
Vested and exercisable at 31 December	0.335	<u>54,000,000</u>	0.335	<u>56,000,000</u>

As one of the directors of CPM resigned during the year ended 31 December 2025, all share options granted to that director under the CPM Scheme lapsed on the date of cessation of employment. Save as disclosed above, none of the other share options granted under the CPM Scheme were exercised, cancelled or lapsed during the year ended 31 December 2025.

In addition, as one of the employees of CPM Group resigned during the year ended 31 December 2024, all share options granted to that employee under the CPM Scheme lapsed on the date of cessation of employment. Save as disclosed above, none of the other share options granted under the CPM Scheme were exercised, cancelled or lapsed during the year ended 31 December 2024.

No share options were granted under the CPM Scheme during the years ended 31 December 2025 and 2024. The net share option expenses of approximately HK\$100,000 were recognised by the CPM Group during the year ended 31 December 2025 (2024: HK\$425,000).

14. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with the current year's presentation and disclosures.

DIVIDEND

The directors of the Company do not recommend the payment of final dividend for the year ended 31 December 2025 (2024: Nil).

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining shareholders' eligibility to attend and vote at the forthcoming annual general meeting of the Company, the register of members of the Company will be closed from Monday, 1 June 2026 to Thursday, 4 June 2026 (being the record date), both days inclusive, during the period no transfer of shares will be effected. In order to be entitled to attend and vote at the forthcoming annual general meeting of the Company, all transfers accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Friday, 29 May 2026.

CHAIRMAN'S STATEMENT

OVERVIEW

During the year ended 31 December 2025, the Group was engaged in three principal business segments. The largest business segment of the Group continued to be the paint and coating business operated by CPM which is a 75% non wholly-owned subsidiary of the Company and listed on The Stock Exchange of Hong Kong Limited.

The Group is active in enriching its investment property portfolio for the purposes of increasing rental income as well as value appreciation. During the year, both revenue from the paint and coating business of the Group and the investment return from the investment property portfolio of the Group decreased, as compared to the year ended 31 December 2024. In contrast, the revenue from the hotel business of the Group increased for the year ended 31 December 2025.

In 2025, the global economic situation remained complex, characterised by slowing growth, persistent inflation and ongoing geopolitical conflicts, which constrained the potential for overall economic improvement. To address these challenges, the Chinese government and the People's Bank of China adopted an accommodative monetary policy early in the year, adjusting interest rates throughout 2025 to boost economic activity. In light of this situation, the Chinese government introduced initiatives to expand domestic demand and stimulate consumption, focusing on enhancing economic activity and increasing residents' spending ability to foster economic resilience amid external pressures.

Revenue generated from the paint and coating business of the Group recorded a decrease of 25.4% in 2025 to approximately HK\$222.68 million, as compared to approximately HK\$298.34 million in 2024. The gross profit generated from this business in 2025 was approximately HK\$82.17 million, representing a decrease of 22.7%, as compared to approximately HK\$106.31 million in 2024.

Revenue generated from the investment property business of the Group in 2025 decreased by 11.3% to approximately HK\$33.46 million, as compared to approximately HK\$37.71 million in 2024. This decline was primarily due to the ongoing unfavourable property market conditions in Hong Kong and Mainland China, which exerted pressure on rental reversions. The fair value losses of the investment property portfolio of the Group amounted to approximately HK\$55.90 million in 2025 as compared to the same of approximately HK\$46.60 million in 2024, which could also be attributed to the adverse market conditions.

Revenue generated from the hotel business of the Group in 2025 significantly increased by 17.6% to approximately HK\$11.58 million, as compared to approximately HK\$9.85 million in 2024. The hotel business of the Group in 2025 benefited from the increase in the number and the consumption spending of visitors to Hong Kong. Furthermore, the hotel business achieved higher occupancy rates in 2025 relative to 2024.

The revenue of the Group for the year ended 31 December 2025 amounted to approximately HK\$267.72 million, representing a decrease of 22.6%, as compared to approximately HK\$345.90 million in 2024. Gross profit decreased by approximately HK\$26.56 million to approximately HK\$118.01 million, representing a decrease of 18.4%, as compared to the gross profit in 2024. Loss attributable to the shareholders of the Company for the year ended 31 December 2025 decreased to approximately HK\$55.14 million, as compared to the loss attributable to the shareholders of the Company of approximately HK\$77.38 million in 2024.

PROSPECTS

Looking ahead to 2026, significant geopolitical tensions are emerging. Tensions between the United States and Venezuela escalated sharply in January, followed by an intensification of U.S.-Israeli tensions with Iran in February, which culminated in military conflict. These developments are likely to generate considerable uncertainty in global markets, driving up crude oil prices and ongoing living expenses. Such inflationary pressures could contribute to slowdown in economic growth and reducing overall confidence in the market. Recently, the Chinese government has lowered its gross domestic product growth target for 2026 to a range of 4.5% to 5.0%, down from 5.0% in 2025. This shift reflects a cautious economic approach that may also influence global conditions. The current geopolitical and economic uncertainties are likely to affect growth and consumer confidence in Hong Kong and Mainland China.

It is expected that the property market in Hong Kong and Mainland China will continue to encounter challenges in 2026 due to oversupply. In particular, owners of office and industrial properties are likely to experience ongoing difficulties related to this oversupply, while rental rates remain favourable for tenants. Most companies are adopting cautious strategies to manage their expenses. Although interest rate cuts in 2025 may have provided some temporary relief, the rental market is projected to remain under pressure in 2026 due to high vacancy rates and anticipated competition from new supply. Consequently, demand for real estate in the region is expected to remain uncertain, particularly given the inflationary pressures arising from current geopolitical and economic factors.

It is also expected that tourism in Hong Kong will remain robust in 2026, supported by an increase in visitors from Mainland China, with demand anticipated to remain stable. Although the 3% Hotel Accommodation Tax continues to exert additional pressure on room rates, the Hong Kong government's ongoing efforts to promote city-wide events and conferences, along with favourable visa policies for visitors from Mainland China, are likely to bolster the tourism sector.

It is further expected that due to the current geopolitical and economic uncertainties, the demand for the export of goods to the United States from Mainland China will continue to decline in 2026. This trend occurs concurrently with the Chinese government's initiatives to promote greater domestic consumption and to encourage exports to other countries. While the outlook for manufacturers in Mainland China is expected to remain strong and optimistic, the ongoing disparity between production capacity and demand may lead to intensified competition within the industrial sector in Mainland China.

Furthermore, the Construction Industry Business Index Survey has revealed that Hong Kong's construction sector is facing significant challenges in the near future, while industry players remain cautiously positive about the future outlook. Confidence in the construction industry has noticeably declined for the coming years, with industry participants highlighting a substantial shortage of project volumes in both the public and private sectors, along with increasing cash flow difficulties.

Despite these challenges, the CPM Group is adopting a prudent approach regarding its business outlook, emphasising innovation and operational efficiency to adapt to the evolving market conditions. There exists an urgent need to develop a robust strategy to maintain product quality and ensure supply continuity in light of soaring raw material costs and potential constraints in sourcing these materials in Mainland China. By maintaining robust product quality and ensuring timely deliveries, the CPM Group prevents further reduction in sales, and improvements in profitability and operational efficiency.

While maintaining its existing core paint and coating business through the CPM Group, the directors of the Company constantly review the Group's business activities, including its investment property portfolio, and will act prudently in assessing opportunities on investment properties for the purpose of increasing the rental income and the cash flows for investment purposes and exploring other new business opportunities to drive the continuous business development of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

During the year ended 31 December 2025, the Group was engaged in three principal business segments, namely (a) investment property business; (b) hotel business; and (c) paint and coating business. The paint and coating business was conducted by CPM. Other than these three business segments, the Group also holds certain equity for investment purpose and owns a parcel of land in Yuen Long, Hong Kong for redevelopment.

BUSINESS REVIEW

During the year ended 31 December 2025, the Group recorded a loss attributable to the shareholders of the Company of approximately HK\$55.14 million, a decrease from the loss of approximately HK\$77.38 million recorded for the year ended 31 December 2024. The loss incurred by the Group for the year ended 31 December 2025 was primarily due to the significant fair value losses of approximately HK\$55.90 million recorded on the investment properties of the Group in Hong Kong and Mainland China as at 31 December 2025, as compared with the fair value losses of approximately HK\$46.60 million as at 31 December 2024. The financial performance of the Group for the year ended 31 December 2025 benefited from several key factors. Notably, there was no provision for impairment on property, plant, and equipment within the hotel segment for the year ended 31 December 2025, as compared totalled approximately HK\$15.45 million for the year ended 31 December 2024. The Group recorded a decrease in staff costs of approximately HK\$2.87 million, as well as a reduction in audit fees and legal and professional fees totalling approximately HK\$2.04 million, both accounted for in administrative expenses. Furthermore, the Group recorded a significant increase in deferred tax credit of approximately HK\$3.28 million for the year ended 31 December 2025, arising from the fair value losses on investment properties in Mainland China.

Including the revenue generated by the CPM Group, the revenue of the Group during the year ended 31 December 2025 was approximately HK\$267.72 million, represented a decrease of 22.6% from approximately HK\$345.90 million for the year ended 31 December 2024. The amount of gross profit of the Group for the year ended 31 December 2025 was approximately HK\$118.01 million, represented a decrease of 18.4% from approximately HK\$144.57 million for the year ended 31 December 2024. The significant decrease in the gross profit of the Group was primarily due to the 25.4% decrease in sales of paint and coating products, which resulted from weak demand in the real estate and construction sectors in Mainland China and Hong Kong, as well as intense competition in the paint and coating industry.

The revenue of the paint and coating business of the CPM Group accounted for 83.2% of the revenue of the Group for the year ended 31 December 2025, as compared to 86.3% of the same for the year ended 31 December 2024.

INVESTMENT PROPERTY BUSINESS

Investment Properties

The revenue generated from the investment property business for the year ended 31 December 2025 amounted to approximately HK\$33.46 million, as compared to approximately HK\$37.71 million for the year ended 31 December 2024. The decrease in the amount of revenue was primarily due to downward pressure on rents and changes in effective rental calculations as a result of alterations in the appreciation clauses of monthly charges in long-term tenancy agreements.

The revenue generated from the investment properties held by the Group (excluding the CPM Group) and the CPM Group for the year ended 31 December 2025 amounted to approximately HK\$15.05 million (as compared to approximately HK\$14.70 million for the year ended 31 December 2024) and approximately HK\$18.41 million (as compared to approximately HK\$23.01 million for the year ended 31 December 2024), respectively.

The investment property portfolio of the Group consisted of 21 properties as at 31 December 2025 and 2024. The gross floor area of the investment property portfolio includes properties with gross floor area of 93,988.21 square meters (“sq.m.”) as at 31 December 2025 and 2024. These investment properties included residential, commercial and industrial properties in Mainland China and Hong Kong and are held for the purpose of generating stable rental income and cash flows for long-term investment purposes.

The aggregate market value of the investment properties held by the Group amounted to approximately HK\$691.86 million as at 31 December 2025, as compared to approximately HK\$725.82 million as at 31 December 2024, including the investment properties held by the CPM Group, representing a decrease of 4.7%, as compared to the same as at 31 December 2024. The decrease was primarily attributed to the fair value losses on investment properties of the Group due to persistent sluggishness in the real estate markets of Mainland China and Hong Kong.

The market value of the investment properties of the Group (excluding the CPM Group) and the CPM Group as at 31 December 2025 amounted to approximately HK\$399.69 million (as compared to approximately HK\$430.54 million as at 31 December 2024) and approximately HK\$292.17 million (as compared to approximately HK\$295.28 million as at 31 December 2024), respectively.

The average occupancy rate for the investment properties of the Group for the year ended 31 December 2025 was 82.7%, as compared to 90.8% for the year ended 31 December 2024. The decrease in the occupancy rate was primarily due to several investment properties were not being fully leased. The recorded gross rental income (including inter-group rental income) decreased to approximately HK\$35.93 million for the year ended 31 December 2025, as compared to approximately HK\$40.25 million for the year ended 31 December 2024.

The segmental loss for the year ended 31 December 2025 amounted to approximately HK\$27.39 million, as compared to segmental loss of approximately HK\$14.90 million for the year ended 31 December 2024. The increase was primarily due to the significant increase in fair value losses of the investment properties, amounting to approximately HK\$55.90 million, as compared to the fair value losses of approximately HK\$46.60 million for the year ended 31 December 2024. The fair value losses for the year ended 31 December 2025 were in line with persistent sluggishness in the real estate markets of Mainland China and Hong Kong.

The Group will constantly review the portfolio of its investment properties and will act prudently in making any decision on the acquisition of new properties in Hong Kong and/or Mainland China that may generate a constant flow of income with potential capital appreciation. This strategy was crucial to meet the financial objectives of the Group amidst challenging market conditions.

Property Under Development

An application was submitted on 30 September 2021 by Joyous Cheer Limited, a wholly-owned subsidiary of the Company, pursuant to Section 16 of the Town Planning Ordinance (Chapter 131 of the Laws of Hong Kong), for seeking the permission from the Town Planning Board (the “TPB”) for (a) proposed conservation of historic building (being the preservation of Pun Uk 潘屋); (b) proposed construction of a recreation, sports or cultural centre (being the design to include an art/antique gallery and the development of heritage education); and (c) proposed construction of certain social welfare facility (which include the operation of residential care homes for the elderly (the “RCHE”)) with ancillary catering facility on the land at Au Tau, Yuen Long (the “Au Tau Land”) owned by the Group.

The Au Tau Land covers a site area of about 3,663.9 sq.m. and is currently occupied by Pun Uk, which is a Grade 1 historical building built in the 1930s.

Due to the heritage value of Pun Uk, any redevelopment on the Au Tau Land will have to include the preservation of Pun Uk, the promotion of the heritage value and the achievement of a commercial project that can generate reasonable economic return and prosperity.

In August 2022, the Rural and New Town Planning Committee of the TPB approved the application of the Group for the redevelopment of the Au Tau Land with permission on (a) the preservation of Pun Uk; (b) the construction of a place of recreation, sports or cultural centre; and (c) the construction of an elderly home that has around 530 beds and other related facilities (collectively, the “Redevelopment Project”). The four-year permission is set to expire in August 2026, and the Group plans to apply for an extension.

Pursuant to the Redevelopment Project, there will be three non-domestic buildings comprising the existing Pun Uk and two new buildings to be constructed as RCHE. The north building of the proposed RCHE will have six storeys, i.e. basement, 1/F to 6/F, whereas the south building will have five storeys, i.e. 1/F to 5/F. Essential functional areas/facilities, such as administrative office, dining area, staff room and other supporting facilities would be provided and developed at the detailed design stage. Car parking spaces will also be included in the redevelopment design.

The Group is exploring different options available for the Redevelopment Project. Based on the current financial position of the Group and its business focus and expertise, the directors of the Company remain of the view that the Redevelopment Project may be disposed of to independent third parties. They also continue to consider that such a disposal may be the most viable option which is in the best interest of the Company and the shareholders of the Company as a whole.

HOTEL BUSINESS

Since December 2021, the Group has engaged a hotel operator (the “Operator”) to manage and operate the hotel under the brand name of “J Link Hotel”. The Operator is an experienced hotel operator for small to medium-sized hotels.

During the year ended 31 December 2025, the average number of available room nights was 80 and the occupancy rate was approximately 94%. The gross revenue generated from the hotel business for the year ended 31 December 2025 amounted to approximately HK\$11.58 million, as compared to approximately HK\$9.85 million for the year ended 31 December 2024. Segmental profit for the year ended 31 December 2025 amounted to approximately HK\$1.21 million, as compared to segmental loss approximately HK\$15.90 million for the year ended 31 December 2024. The turnaround from segmental loss to segmental profit was mainly due to the absence of provision for impairment on property, plant, and equipment within the hotel segment, which totalled approximately HK\$15.45 million for the year ended 31 December 2024, and the efficient cost containment.

The J Link Hotel was focusing to attract short-haul travellers from Mainland China as well as overseas. In order to provide visitors with pleasant and enjoyable experience when participating in Hong Kong’s events and seasonal celebrations, the Hong Kong Tourism Board collaborates with organisers of various events in the city by month and are powering up for the festivals and events, shaping Hong Kong as a lively city. This collaboration will introduce richer experiences to visitors upon their arrival.

Promotional campaigns aim to attract not only Mainland China short-haul travellers but also overseas visitors for extended stays, providing curated event packages, themed experiences, and easy itinerary planning through digital platforms. The synergy between the Hong Kong government promotional campaigns, event organisers and hospitality providers, like J Link Hotel, contributes to maintaining high hotel occupancy rates and has improved average room rates during the peak event periods.

The directors of the Company anticipate that room occupancy will remain at a high level while average room rates are expected to improve, with the support of the ongoing promotional campaigns launched by the Hong Kong government.

PAINT AND COATING BUSINESS

Further information on the paint and coating business is set forth in the results announcement of CPM for the year ended 31 December 2025 and the following information on the paint and coating business is extracted for ease of reference.

General Background

For the paint and coating business, the products of the CPM Group are broadly categorised into (i) industrial paint and coating products; (ii) architectural paint and coating products; and (iii) general paint and coating and ancillary products. Industrial paint and coating products are used in furniture painting, manufacturing and surface finishing for different kinds of materials used by furniture manufacturers, renovation contractors for property and infrastructure projects and household users. Architectural paint and coating products are used for wall painting, floor coating and decorating of the wall surface of buildings. The architectural paint and coating products of the CPM Group are sold to customers in the construction and maintenance markets for the commercial and residential properties. General paint and coating and ancillary products, such as thinner, enamels and anti-mold agents and solvent agents, are used for both architectural and industrial purposes.

The following sets forth an analysis of the CPM Group's revenue from the sales of the paint and coating products for the year ended 31 December 2025 (with comparative figures for the year ended 31 December 2024):

	Year ended 31 December				
	2025		2024		% of net
	HK\$'000	%	HK\$'000	%	change
Industrial paint and coating products	127,681	57.3	151,138	50.7	(15.5)
Architectural paint and coating products	37,729	17.0	69,933	23.4	(46.0)
General paint and coating and ancillary products	57,269	25.7	77,270	25.9	(25.9)
	<u>222,679</u>	<u>100.0</u>	<u>298,341</u>	<u>100.0</u>	<u>(25.4)</u>

The CPM Group continued to focus on Mainland China market with contributed to approximately 86.6% (2024: approximately 80.8%) of the total revenue generated from the sales of paint and coating products in 2025.

Segmental Results

Revenue from paint and coating products

The CPM Group's revenue from the sales of paint and coating products for the year ended 31 December 2025 amounted to approximately HK\$222.68 million, representing a significant decrease of 25.4%, as compared to approximately HK\$298.34 million for the year ended 31 December 2024.

Significant decrease in the sales to the wholesale and retail distributors in Hong Kong

For the year ended 31 December 2025, the CPM Group's sales to the wholesale and retail distributors in Hong Kong significantly decreased by 49.6%, as compared to the year ended 31 December 2024. This decline was primarily due to recent changes within the sales team, which coincided with a period of adjustment that influenced sales figures, and the adverse conditions impacting the building and construction sector in Hong Kong during the year. This sector faced challenges as developers adopted a cautious approach to new projects, resulting in a sudden decline in the volume of private construction initiatives. Consequently, there was significant underutilisation and heightened unemployment pressures in trades related to paint and coating products, including painting. Furthermore, the decline was exacerbated by a flexible price approach implemented in response to considerable challenges and increased competition faced in the market, as compared to the last year.

Significant decrease in the sales to the property developers and their contractors working for private residential property projects in Mainland China

For the year ended 31 December 2025, the CPM Group's sales to property developers and their contractors working for private residential property projects in Mainland China amounted to approximately HK\$0.26 million, representing a significant decrease of 98.5%, as compared to approximately HK\$17.96 million for the year ended 31 December 2024. This decrease was attributed to several factors: (i) the sluggish real estate market in Mainland China; (ii) stagnation in new property project initiatives; (iii) intensified competition among paint manufacturers targeting customers in the real estate market in Mainland China; (iv) failure to secure several contracts from tender submissions during the year; and (v) the decline was exacerbated by the flexible price approach implemented in response to considerable challenges and increased competition faced in the market, as compared to the last year.

Significant decrease in the sales to the wholesale and retail distributors in Mainland China

For the year ended 31 December 2025, the CPM Group's sales to wholesale and retail distributors in Mainland China significantly decreased by 12.7% to approximately HK\$95.40 million, as compared to approximately HK\$109.28 million for the year ended 31 December 2024. This decline was primarily due to the result of intense competition within the paint and coating market in Mainland China, driven by reduced sales of paint and coating products sold to property developers amid a sluggish real estate market. Additionally, several paint and coating manufacturers substantially lowered their selling prices in an effort to attract wholesale and retail distributors and to counteract revenue losses arising from decreased demand among property developers. This pricing strategy further intensified competitive pressures within the paint and coating industry, serving various sectors of wholesale and retail distribution in Mainland China. Moreover, the decline was further exacerbated by the flexible price approach implemented in response to considerable challenges and heightened competition within the paint and coating market for wholesale and retail distributors, as compared to the last year.

Significant decrease in the sales to the industrial manufacturers in Mainland China

For the year ended 31 December 2025, the CPM Group experienced a significant decline in sales to industrial manufacturers in Mainland China, which significantly decreased by 14.9% to approximately HK\$74.11 million, from approximately HK\$87.13 million for the year ended 31 December 2024. This downturn was attributed primarily to the following factors: (i) geopolitical tensions resulting in unstable tariffs, which led to reduced orders from our customers, who also decreased their orders from overseas manufacturers of various products, including machinery, mechanical equipment, toys, apparel, and others; (ii) the entry of several paint and coating manufacturers into the industrial paint and coating segment, who offered significantly lower selling prices in an effort to attract industrial manufacturers of automotive products and components. This pricing strategy intensified competitive pressures within the paint and coating industry, serving various industrial sectors in Mainland China; and (iii) the decline was further exacerbated by the flexible price approach implemented in response to considerable challenges and heightened competition within the industrial paint and coating market, as compared to the last year.

In response to the challenging sales performance for the year ended 31 December 2025, the CPM Group implemented a series of strategic measures designed to safeguard the business and enhance short-term competitiveness and profitability. A key focus was the improvement of our product offerings in the low-cost market segment, which successfully reduced the rate of sales decline and positively contributed to revenue. However, despite these initiatives, the results indicated that they were insufficient to fully offset the declines observed in the six months ended 30 June 2025. This period experienced diminished demand for architectural coating products, primarily sold to property developers and through our wholesale and retail distribution channels. The CPM Group reported a significant 29.3% decline in sales for the six months ended 30 June 2025. This decline corresponded to an average reduction of 25.4% in sales for the entire year when compared to the six months ended 30 June 2025. The data reflected the CPM Group's continued commitment to enhancing sales and demonstrated its strategic response to prevailing market conditions throughout the year. Moving forward, the CPM Group remained focused on refining its approach and adapting to the challenges that lay ahead.

Geographical Analysis of Revenue

Geographically, for the year ended 31 December 2025, the CPM Group's revenue generated from the sales in Mainland China and Hong Kong accounted for 86.6% and 13.4%, respectively, as compared to 80.8% and 19.2%, respectively for the year ended 31 December 2024. Most of the CPM Group's revenue was generated from the sales to customers in Southern China, Eastern China and Southwest China. Revenue generated from the sales to the customers in these regions, in aggregate, accounted for 80.7% of the CPM Group's total amount of revenue for the year ended 31 December 2025, as compared to 76.1% from sales to customers in Southern China, Central China and Eastern China in 2024.

Significant decrease in the sales in Southern China

For the year ended 31 December 2025, the CPM Group's revenue from the sales in Southern China significantly decreased by 20.2%, as compared to the last year. This decline was primarily attributed to a substantial reduction in sales to both wholesale and retail distributors and property developers and their contractors within the region, which accounted for contributions of approximately 46.0% and 31.4%, respectively. The reasons for this significant decrease in sales were outlined in the preceding analysis of the revenue from paint and coating products for the year ended 31 December 2025.

In 2025, the paint and coating market in Mainland China was characterised by low demand amid an abundance of supply, resulting in heightened competition within the industry. Furthermore, one of the well-known manufacturers of paint and coating products reported a similar trend, noting a substantial decline in sales of architectural paint and coating products sold to businesses and consumers in Mainland China, including a significant reduction in contract work projects.

Significant decrease in the sales in Eastern China

For the year ended 31 December 2025, the CPM Group's revenue from the sales in Eastern China significantly decreased by 18.7%, as compared to the last year. This decline was primarily attributed to a substantial reduction in sales to both industrial manufacturers and wholesale and retail distributors within the region, which accounted for contributions of approximately 67.2% and 26.8%, respectively. The reasons for this significant decrease in sales were outlined in the preceding analysis of the revenue from paint and coating products for the year ended 31 December 2025.

Significant decrease in the sales in Hong Kong

For the year ended 31 December 2025, the CPM Group's revenue from the sales in Hong Kong significantly decreased by 47.9%, as compared to the last year. This decline was primarily attributed to a substantial reduction in sales to wholesale and retail distributors within the region, which accounted for approximately 87.3% of the total contribution. The reasons for this significant decrease in sales were outlined in the preceding analysis of the revenue from paint and coating products for the year ended 31 December 2025.

Notwithstanding the subdued sales performance for the year ended 31 December 2025, the CPM Group undertook pragmatic measures to safeguard the business and enhance its long-term competitiveness. The CPM Group succeeded in achieving incremental growth in several other, less significant regions, whilst continuing to refine the quality and value proposition of its existing products aimed at the low-price market, which resulted in additional revenue. Although these endeavours proved insufficient to entirely counterbalance the decline observed in the primary regions, particularly due to the diminished demand for architectural coating products sold to property developers as well as through wholesale and retail distribution, the results nonetheless demonstrated the CPM Group's capacity to respond swiftly to changing market conditions and sustain customer engagement.

Cost of Raw Materials

Raw materials used by the CPM Group include resins, solvents and other materials, of which resins and solvents accounted for significant portions of the total cost of raw materials. Fluctuations in crude oil prices directly and indirectly impact the prices of these raw materials, thereby significantly affecting the profitability of paint and coating manufacturers, as raw material costs comprise a substantial portion of the total production cost. During the year ended 31 December 2025, crude oil prices significantly decreased by 17.3%, ranging between US\$54 and US\$68 per barrel, as compared to a range of US\$63 and US\$85 per barrel for the year ended 31 December 2024. This decrease in crude oil prices had a proportionate positive impact on raw materials cost for the CPM Group. As a result, the CPM Group experienced lower raw material costs at the point of purchase and was able to offer competitive pricing amidst intense market competition in the paint and coating industry in Mainland China and Hong Kong. The CPM Group leveraged this cost advantage to provide more discounts to attract and retain customers. Consequently, the percentage of raw material costs to the sales decreased by 5.1%, as compared to the year ended 31 December 2024.

The flexible pricing strategy of the CPM Group not only bolstered its competitive edge but also reflected its quick responsiveness to market dynamics. By aligning with broader economic trends for cost efficiency, the CPM Group took advantage of the fluctuating oil prices to enhance operational efficiency and deliver greater customer value. This underscored the importance of agile responses to economic changes in maintaining a strong market position. This led to a significant reduction in the raw material component of the cost of sales, which decreased by 2.7 percentage points as compared to the year ended 31 December 2024. This performance underscores the critical role of agile and adaptive strategies in navigating economic variability and maintaining a strong market presence.

Gross Profit Margin and Gross Profit of the CPM Group's Products

Due to the 25.4% decrease in sales, for the year ended 31 December 2025, the CPM Group recorded a 22.7% decrease in gross profit for the year ended 31 December 2025, as compared to the year ended 31 December 2024. This decline was exacerbated by vigorous market competition within the paint and coating industry and diminished demand for architectural paint and coating products from the real estate and construction sectors in Mainland China and Hong Kong. In response, the CPM Group implemented strategic pricing adjustments to remain competitive, including targeted customer discounts to sustain market share. Despite this downturn, the CPM Group achieved a 1.3 percentage points increase in the gross profit margin to 36.9%, as compared to 35.6% for the year ended 31 December 2024.

Selling and Distribution Expenses and Administrative Expenses

For the year ended 31 December 2025, the CPM Group's selling and distribution expenses significantly declined by 17.1% to approximately HK\$42.19 million, as compared to approximately HK\$50.89 million for the year ended 31 December 2024. The reduction in selling and distribution expenses was primarily due to a significant decrease in legal and professional fees, amounting to approximately HK\$7.11 million. This decrease was influenced by various factors, including outcomes from ongoing lawsuit cases, where negotiations related to aged outstanding trade and bills receivables during the litigation process contributed to the collection of certain receivables. The resolution of completed lawsuits and effective follow-up actions to recover funds from aged trade and bills receivables also played key roles. Furthermore, due to the softer demand from the real estate sector and the increased competition within the paint and coating industry, the CPM Group maintained a similar level of promotions as in 2024, while also enhancing specific promotions for certain valued customers during the year. Consequently, without considering the legal and professional fees, the selling and distribution expenses exhibited no marked decrease, despite a 25.4% reduction in sales during the year.

For the year ended 31 December 2025, administrative expenses increased by 11.7% to approximately HK\$82.51 million, as compared to approximately HK\$73.88 million for the year ended 31 December 2024. The increase was primarily due to the increase in withholding tax, other taxes and other additional expenses, which offset the positive impact of cost savings realised from reductions in salaries and staff welfare, audit fees, depreciation and other related expenses.

Reversal of Provision/(Provision) for Impairment of Trade and Bills Receivables, Net

For the year ended 31 December 2025, the CPM Group recorded the reversal of provision for impairment of trade and bills receivables of approximately HK\$10.47 million, as compared to the provision for impairment of trade and bills receivables for the year ended 31 December 2024. This turnaround was primarily attributable to the settlement of certain aged outstanding trade and bills receivables during the year, which resulted in the reversal of specific provisions for impairment as at 31 December 2025.

The CPM Group made a reversal of provision/(provision) for the impairment of trade and bills receivables in accordance with HKFRS 9, considering both historical credit loss experience and forward-looking information. In evaluating the reversal of provision/(provision) for the impairment of aged trade and bills receivables in connection with property developers and contractors as at 31 December 2025 and 2024, the CPM Group engaged an independent professional valuer to perform the assessment.

Other Expenses, Net

For the year ended 31 December 2025, the amount of other expenses decreased by 3.0% to approximately HK\$10.23 million, as compared to approximately HK\$10.55 million in 2024. This decrease was mainly due to the decrease in levies and stamp duties, resulting from the 25.4% decrease in sales. Additionally, this positive impact was partially offset by provision for the impairment of deposits for the purchase of property, plant and equipment, which was recognised for the year, amounting to approximately HK\$1.25 million. This provision was determined after assessing that the carrying amount of the deposit exceeded its recoverable amount under the prevailing market conditions and related market prices.

Amidst strategic adjustment and implementation of ongoing business revamp measures and initiatives aimed at addressing market challenges, the CPM Group successfully enhanced its financial performance, despite a 25.4% decrease in sales. The CPM Group significantly reduced to a segmental loss of approximately HK\$35.86 million for the year ended 31 December 2025, as compared to a segmental loss of approximately HK\$47.79 million for the year ended 31 December 2024. This improvement was primarily attributed to the implementation of flexible pricing strategies, the effective cost-saving measures and the proactive credit management, alongside improved profit margins and cost efficiencies across major operations.

Business Plans

In 2025, the CPM Group observed a significant divergence in the paint and coating industry across Mainland China and Hong Kong. While there was a decline in total manufactured production volume, overall sales figures saw an increase. This scenario indicated that a downward adjustment in selling prices was necessary, owing to the heightened competition within the market. To address these challenges, the CPM Group implemented proactive strategic measures beginning in the second quarter of 2025, aimed at safeguarding the CPM Group's operations and enhancing the CPM Group's short-term competitiveness and profitability. A primary focus of these initiatives has been the improvement of the CPM Group's product offerings in the low-cost market segment. This strategy has effectively mitigated the decline in sales while positively impacting the revenue of the CPM Group. The CPM Group will continue to pursue this effective sales initiative into 2026 and remain vigilant in monitoring market dynamics. Adjustments to the CPM Group's strategy will be made as necessary to ensure that the CPM Group remains responsive to changes in the marketplace.

In addition to the short-term sales initiative, the CPM Group is committed to expanding its reach and enhancing business opportunities by actively engaging with both existing and prospective wholesalers across Mainland China, Hong Kong and other regions. This stabilisation is of utmost importance as the CPM Group prepares for future growth enhancements. Simultaneously, the CPM Group is optimising its financing arrangements by reducing borrowings and borrowing costs, as well as improving the efficiency of the CPM Group's recovery processes from trade and bills receivables. The CPM Group is implementing a series of business initiatives focused on achieving these objectives. These initiatives include (i) exploring diversified financing facilities to ensure sustainable liquidity; (ii) seeking advantageous terms to minimise interest burdens on the borrowings of the CPM Group; and (iii) expediting the turnover of trade and bills receivables through improved credit management practices. Each initiative is designed to fortify financial resilience and position the CPM Group for enduring success amidst evolving market conditions. To achieve these objectives, the following business initiatives are currently being implemented:

1. Leveraging Strategic Partnerships for Product Expansion and Market Reach

Given the current challenging economic landscape, the CPM Group has faced significant obstacles in leveraging strategic partnerships for product expansion during 2024 and 2025. The collaborative initiatives that commenced in 2022, aimed at diversifying the product portfolio of the CPM Group through innovative formulations and patent-sharing, successfully expanded our market reach throughout 2023, 2024 and into 2025. However, the prevailing economic conditions have substantially hindered the progress of these initiatives over this period.

Looking ahead, the CPM Group remains committed to reassessing these partnerships and exploring new strategies to enhance growth and adaptability in the market.

2. Strategic Financial Restructuring and Optimisation

Strategic Borrowing Arrangements and Enhanced Liquidity: Impact on Net Current Assets

In 2023, the CPM Group entered into 3-year loan agreements with its holding company and its fellow subsidiaries, which constituted exempted connected transactions and were on normal commercial terms. As at 31 December 2025, the outstanding balance was approximately HK\$71.49 million, denominated in both Hong Kong dollars and Renminbi. The purpose of these borrowing arrangements was to optimise the CPM Group's liquidity and expedite the process of refinancing by securing low-cost and long-term borrowings in Mainland China, while replacing higher-cost borrowings and short-term loans in both Hong Kong and Mainland China. As a direct consequence of these strategic financial undertakings, the total interest-bearing bank and other borrowings experienced a reduction of 16.0%, declining to approximately HK\$164.65 million as at 31 December 2025, as compared to approximately HK\$195.97 million as at 31 December 2024. Concurrently, the liquidity ratio of the CPM Group experienced a significant increase of 23.0%, aligning to 1.66 from 1.35 as at 31 December 2024. This enhancement reflects the CPM Group's commitment to conducting a comprehensive assessment of the CPM Group's working capital requirements, enabling us to allocate resources more efficiently. Moving forward, the CPM Group will continue to focus on maintaining financial stability and optimising resource management to support the CPM Group's growth objectives.

Restructuring of Financing Arrangements for Enhanced Cost Efficiency

In 2025, the CPM Group strategically continued to extend its banking facilities in Mainland China, for the purpose of enhancing its financing structure by obtaining low-cost and long-term borrowings in Mainland China. This initiative was designed to replace the higher-cost and short-term borrowings previously acquired in Hong Kong. Consequently, as at 31 December 2025, there was a significant increase in bank borrowings from Mainland China, accompanied by a reduction in bank and other borrowings from Hong Kong. As at 31 December 2025, the proportion of interest-bearing bank and other borrowings denominated in Renminbi rose to 62.9%, an increase from 51.0% as at 31 December 2024. The average rate of interest-bearing bank and other borrowings for the year ended 31 December 2025 experienced a significant reduction of 22.0% to 3.741%, as compared to 4.797% for the year ended 31 December 2024. This restructuring initiative remains a fundamental element of the CPM Group's strategic framework, with plans to extend these efforts throughout 2026. The reorganisation of the CPM Group's financing arrangements is anticipated to further decrease the overall cost of bank borrowings while actively pursuing a more efficient structure. This ongoing commitment to optimisation illustrates the CPM Group's determination to bolster financial stability and support long-term growth objectives.

Strategic Utilisation of Renminbi Borrowing Funds for Internal Currency Risk Management

With the expansion of its banking facilities and the borrowing of funds from Mainland China, the strategic utilisation of Renminbi borrowing funds as an internal natural hedge demonstrates the CPM Group's prudent approach to managing currency risk. In comparison to the accounting dates as at 31 December 2025 and 2024, the fluctuation of the Renminbi currency displayed a depreciation of 3.2% for the year ended 31 December 2024, followed by an appreciation of 4.8% for the year ended 31 December 2025. This internalisation of the hedging process reflects the CPM Group's forward-thinking financial strategy. The CPM Group is not only minimising the impact of currency fluctuations but also optimising its resource allocation. From a financial standpoint, this approach highlights the shrewd use of internal mechanisms in risk management, emphasising the CPM Group's dedication to efficient capital deployment. Moreover, it showcases a proactive approach to mitigating currency exposure without incurring the costs associated with external hedging instruments. This action contributes to optimising and stabilising the CPM Group's financial position, aligning with the overarching goal of enhancing stakeholder value and financial resilience.

3. Proactive Credit Management and Provision for Impairment of Trade and Bills Receivables

Since 2023, amidst economic uncertainties arising from heightened financial stress among property developers and contractors in Mainland China, the CPM Group has prudently addressed these challenges through effective credit management. This approach involved revising credit terms to mitigate the effects of extended payment deferrals on cash flow. By shortening credit periods and engaging in comprehensive discussions, the CPM Group aimed to uphold financial stability and ensure timely receivables, thereby safeguarding liquidity. As at 31 December 2025, the gross trade and bills receivables associated with property developers and contractors recorded a decrease of 27.3%, as compared to 2024. This reduction was primarily attributed to settlements rather than write-offs.

Furthermore, the decision to implement a straight credit period and prepare for the potential legal proceedings demonstrates the CPM Group's commitment to proactive risk mitigation in response to the market dynamics. This strategic approach allows the CPM Group to navigate economic uncertainties while upholding a disciplined credit management framework. By aligning credit terms with the prevailing market conditions and preparing for the potential legal matters, the CPM Group strengthens resilience and ensures operational continuity, positioning itself to manage fluctuations in customer payment patterns and market uncertainties effectively. As at 31 December 2025, there was a notable reduction in the total gross trade and bills receivables as compared to 2024, achieved entirely through settlements being made by payment.

Additionally, the determination of the amount of impairment provision for trade and bills receivables should account for any potential reversal, ensuring consistency with the prudent risk management practices and accounting standards, confirming the CPM Group's commitment to effectively managing credit risks and ensuring financial stability. This proactive measure further enhances the CPM Group's ability to navigate challenges arising from deferred payments and economic uncertainties, reflecting a comprehensive approach to credit risk management. The CPM Group's readiness for potential litigation also highlights its comprehensive approach to managing credit risks and ensuring a stable financial position amidst economic uncertainties, reflecting a comprehensive approach to credit risk management. By adhering to consistent prudent standards for reversal of provision and impairment provision for trade and bills receivables, the CPM Group reinforces the transparency and prudence of its financial reporting, instilling confidence in its ability to mitigate credit risks and maintain sustainable operations.

OTHER BUSINESS

Equity Investment Designated at Fair Value Through Other Comprehensive Income

The Group owns 12.5% equity interest in Profitable Industries Limited (“Profitable Industries”), an investment holding company, which is in turn engaged in a cemetery project (the “Cemetery”) situated in Sihui, Guangdong Province, Mainland China. The Cemetery is operated under the name of “Fortune Wealth Memorial Park” which is focused on the development, construction, management and operation of a cemetery. The Cemetery offers grave lots, ordinary columbarium niches and luxury columbarium niches. The other shareholder of Profitable Industries is Chuang's China Investments Limited (“Chuang's China”), a company listed on The Stock Exchange of Hong Kong Limited (stock code: 298). As a minority shareholder of Profitable Industries, the Group has not participated in the management of the Cemetery. The Group is a passive minority shareholder of Profitable Industries.

As disclosed in the interim report of Chuang's China for the six months ended 30 September 2025, the Fortune Wealth Memorial Park operated a cemetery in Sihui with a site area of approximately 518 mu agreed by the local government authorities. Development of the project is conducted by phases. Phase I of about 100 mu has been completed with 5,485 grave plots, one mausoleum providing 550 niches, as well as an administrative and customer service building. Development of the remaining 418 mu will be divided into Phase II to Phase V. Based on the revised master layout plan of Phase II to Phase V, about 37,798 grave plots will be constructed covering land area of 268 mu and 150 mu of road access and greenbelts.

For Phase II to Phase III, land use rights of approximately 143 mu had been obtained, which will accommodate a total of about 20,224 grave plots. For Phase IV and Phase V, land use rights of approximately 5.2 mu had been obtained and additional land quota of about 119.8 mu shall be required for the construction of a total of about 17,574 grave plots. As for the 150 mu of road access and greenbelts, the Cemetery will ascertain the arrangement required by the local authorities. The construction works of roads for Phase II and Phase III, as well as the site formation and construction works on other parts of the land, were both in progress.

On the sale aspects, the Cemetery has full license for sale not only in Mainland China, but also includes overseas Chinese, as well as residents of Hong Kong, Macau and Taiwan. The Cemetery will review its sales and marketing strategy and will take more proactive steps in its brand building and customer services.

The Group has engaged an independent professional appraisal firm to perform a valuation on the fair market value of Profitable Industries as at 31 December 2025 based on “Adjusted Net Asset Value” method which has considered, inter alia, property valuation of the Cemetery and a discount for the Group’s minority holding in Profitable Industries. The fair market value of this equity investment as at 31 December 2025 was approximately HK\$29.64 million when compared with approximately HK\$24.76 million as at 31 December 2024.

OUTLOOK

Looking ahead to 2026, the global economy continues to navigate a complex and uncertain environment. Escalating geopolitical tensions, inflationary pressures, disruptions in global trade flows, and evolving U.S. monetary policies remain key external risks that may fuel market volatility. Unpredictable movements in interest rates and exchange rates, particularly concerning the United States dollar, continue to influence investment sentiment and trade activities. These external headwinds may sustain a cautious global business climate, with corporates remaining prudent about capital expenditure and expansion plans.

In Hong Kong, economic recovery is expected to be gradual due to ongoing global uncertainties and restructuring within major industries. The commercial property market continues to adjust to new dynamics of workspace demand, with an oversupply of office space and subdued leasing activity likely to persist in early 2026. Landlords are anticipated to maintain flexible leasing strategies, including rental incentives and customisable lease structures, to attract quality tenants. The trend toward flexible work arrangements and cost-optimisation initiatives among occupiers will continue to shape market preferences.

In Mainland China, stable industrial production and export performance are expected to underpin moderate economic growth in 2026. While consumer sentiment and domestic investment are projected to recover gradually, structural adjustments within the property sector are likely to weigh on overall momentum. The commercial real estate market in major cities such as Shanghai, Beijing, and Guangzhou remains characterised by high vacancy rates and an ongoing rebalancing between supply and demand. Fiscal policies are expected to continue supporting key industries, but the effects on the broader property sector may remain limited in the near term.

The property investment portfolio may continue to face downward adjustment pressures due to current market conditions and lease renewals. Nevertheless, the Group remains confident in the long-term resilience of its property assets and the underlying fundamentals of Hong Kong and Mainland China.

The Group will constantly review its investment property portfolio and will act prudently in making any decision on the acquisition of investment properties for the purpose of generating a recurring income and cash flow for investment purposes. Additionally, the Group will maintain stringent cash flow management to ensure the maintenance of a robust financial profile, irrespective of external influences.

The hotel segment is well-positioned to benefit from the multiple-entry Individual Visit Scheme for Shenzhen residents. The Group expects that the hotel business will continue to thrive due to an increase in Mainland residents. However, competition in the hospitality sector remains intense, and the Group will continue to exercise prudent pricing strategies while improving operational efficiency to maintain profitability.

In 2026, the market landscape for the paint and coating industry in Mainland China and Hong Kong is defined by the growth targets established by both governments. Mainland China is aiming for a growth rate of 4.5% to 5.0%, while Hong Kong targets a growth rate of 2.5% to 3.5%. These targets are influenced by the ongoing challenges posed by a sluggish real estate market, geopolitical tensions, inflationary pressure and tariffs. The paint and coating market in Mainland China continues to be primarily driven by rapid urbanisation and significant growth in the automotive and industrial manufacturing sectors. These industries create stable demand for both architectural and industrial paint and coating products, effectively maintaining the baseline levels of consumption, regardless of fleeting stylistic trends or technological developments. Nevertheless, the market is currently facing substantial challenges due to the decline in the domestic real estate sector within Mainland China. This downturn has directly affected the demand for architectural paint and coating products, leading to a deceleration in overall production growth, even as other areas of the economy display resilience.

In addition, it is important to acknowledge the ongoing Russo-Ukrainian tensions and their significant impact on crude oil prices. Recently, the CPM Group has observed that prices have risen above US\$100 per barrel and exhibit considerable volatility, largely driven by concerns surrounding potential conflicts involving Iran, particularly in relation to the United States and Israel. These developments create substantial cost pressures within the paint and coating industry, primarily due to inflation affecting the prices of raw materials necessary for our manufacturing processes. It is crucial for the CPM Group to carefully evaluate whether to absorb these increased costs or to pass them on to end consumers of the CPM Group. This decision will play a vital role in influencing our profitability and pricing strategy within the marketplace.

Moving forward, a strategic approach to cost management and pricing adjustments will be essential. Ensuring operational efficiency and maintaining competitive pricing will be key in navigating these challenging market conditions while protecting the bottom line of the CPM Group. Additionally, the CPM Group prioritises a cohesive strategy to adapt effectively to these changes. In this evolving operating landscape, enhancing the CPM Group's innovation capabilities and sustainability performance will be vital in capturing emerging opportunities. The CPM Group remain strategically positioned to leverage the evolving market dynamics across both regions while advancing our environmental commitments.

FINANCIAL REVIEW

The management of the Group has been provided with key performance indicators (“KPIs”) to manage its business, through evaluating, controlling and setting strategies to improve performance. Such KPIs include revenue, gross profit margin, net profit/loss attributable to shareholders, inventory turnover days and trade and bills receivables turnover days.

RESULTS

The Group recorded a loss attributable to the shareholders of the Company of approximately HK\$55.14 million for the year, as compared to a loss attributable to the shareholders of approximately HK\$77.38 million in 2024. Revenue for the year amounted to approximately HK\$267.72 million, representing a decrease of 22.6%, as compared to approximately HK\$345.90 million in 2024. Gross profit for the year amounted to approximately HK\$118.01 million, representing a decrease of 18.4%, as compared to the same in 2024. The gross profit margin increased by 2.3 percentage points from 41.8% in 2024 to 44.1% in 2025.

SEGMENT INFORMATION

Business Segments

Property Investment

For the year ended 31 December 2025, revenue of the property investment business amounted to approximately HK\$33.46 million, representing 12.5% of the Group's total revenue. Segmental loss for the year amounted to approximately HK\$27.39 million, as compared to the segmental loss of approximately HK\$14.90 million for the year ended 31 December 2024. The increase was primarily due to the significant increase in fair value losses of the investment properties, amounting to approximately HK\$55.90 million for the year ended 31 December 2025, as compared to the fair value losses of approximately HK\$46.60 million for the year ended 31 December 2024.

Hotel Business

For the year ended 31 December 2025, revenue of the hotel business amounted to approximately HK\$11.58 million, representing 4.3% of the Group's total revenue. It had recorded a segmental profit for the year ended 31 December 2025 amounted to approximately HK\$1.21 million, as compared to the segmental loss approximately HK\$15.90 million for the year ended 31 December 2024. The turnaround from segmental loss to segmental profit was mainly due to the absence of provision for impairment on property, plant, and equipment within the hotel segment, which totalled approximately HK\$15.45 million for the year ended 31 December 2024, and the efficient cost containment.

Paint and Coating Products

Paint operation continued to be the largest contributor to revenue, generating approximately HK\$222.68 million, which accounted for 92.4% of the CPM Group's total revenue. However, the paint and coating industry experienced a decline in total production volume, despite an increase in overall sales figures in 2025. This was attributed to ongoing intense competition, a notable contraction in domestic demand, decreased consumer spending and reduced construction activities across various sectors. As a result, there was a 25.4% decrease in segmental revenue as compared to 2024. Despite these challenges, the sector gained from declining production costs. With crude oil prices decreasing from an average of \$75 per barrel in 2024 to an average of \$62 per barrel in 2025, following significant past volatility, the industry utilised stable cost forecasts to boost profitability. This stabilisation reduced raw material costs for paint and coating products, enhancing gross profit margins amid changing price dynamics. Amidst fierce competition and fluctuating demand, the CPM Group implemented business revamp measures and initiatives, increasing its gross profit margin by 1.3 percentage points, raising it to 36.9% from 35.6% in 2024. Despite improved operational efficiency, the CPM Group faced a segmental loss of approximately HK\$35.86 million for the year ended 31 December 2025, a 25.0% reduction as compared to the approximately HK\$47.79 million loss for the year ended 31 December 2024. This segmental loss was chiefly attributed to a substantial 25.4% decrease in sales of paint and coating products.

Geographical Segments

The Group's businesses are operated in Mainland China and Hong Kong only. Revenue from operations in the Mainland China and Hong Kong for the year ended 31 December 2025 amounted to approximately HK\$218.92 million (2024: approximately HK\$271.12 million) and approximately HK\$48.80 million (2024: approximately HK\$74.78 million), respectively.

LIQUIDITY AND FINANCIAL INFORMATION

The business operation of the Group is principally financed by its internal financial resources and external bank borrowings. The cash and cash equivalents amounted to approximately HK\$315.48 million as at 31 December 2025, as compared to approximately HK\$286.74 million as at 31 December 2024. The increase in the balance of cash and cash equivalents was primarily due to improved collection of aged outstanding trade and bills receivables in the CPM Group, as well as enhancements in working capital, which collectively strengthened the liquidity of the Group. The total cash and bank balances, including pledge deposits, amounted to approximately HK\$330.17 million as at 31 December 2025, as compared to approximately HK\$308.95 million as at 31 December 2024.

Bank borrowings amounted to approximately HK\$141.39 million as at 31 December 2025, as compared to approximately HK\$137.62 million as at 31 December 2024. The bank borrowings of the Group mainly bear interest at floating rates. The total bank borrowings of the Group as at 31 December 2025 amounted to approximately HK\$75.50 million (53.4%) (31 December 2024: approximately HK\$137.62 million (100.0%)) and was payable within one year or on demand. The remaining balance of approximately HK\$65.89 million (46.6%) (31 December 2024: nil) is payable in the second and fifth years. The cash and bank balances and bank borrowings of the Group are mainly denominated in Hong Kong dollars, Renminbi and United States dollars. The results of the Group can be affected by movements in the exchange rate between Hong Kong dollars and Renminbi.

The Group did not have any hedging instrument to hedge the foreign currency exposure as at 31 December 2025. However, the Group will continue to monitor its foreign exchange exposure and requirements closely and arrange hedging facilities when necessary.

The gearing ratio of the Group, which is expressed as a percentage of total bank borrowings to shareholders' funds, was 11.8% as at 31 December 2025, as compared to 11.3% as at 31 December 2024. The liquidity ratio of the Group, which is expressed as a percentage of current assets to current liabilities, was 1.98 times as at 31 December 2025, as compared to 1.46 times as at 31 December 2024.

For the year under review, the inventory turnover days¹ in 2025 were 42 days (2024: 34 days). The trade and bills receivables turnover days² decreased from 112 days in 2024 to 92 days in 2025.

Equity, Net Asset Value and Shareholders' Funds

Shareholders' funds of the Group as at 31 December 2025 was approximately HK\$1,196.09 million (31 December 2024: approximately HK\$1,219.56 million). Net assets value per share as at 31 December 2025 was HK\$0.68 (31 December 2024: HK\$0.70). Shareholders' funds per share as at 31 December 2025 was HK\$0.63 (31 December 2024: HK\$0.64).

Contingent Liabilities

As at 31 December 2025 and 2024, no bank facilities granted to various subsidiaries subject to guarantees given to banks by the Company were utilised.

Pledge of Assets

Certain property, plant and equipment, investment properties, right-of-use assets and cash deposits with an aggregate net book value of approximately HK\$484.56 million as at 31 December 2025, as compared to approximately HK\$525.64 million as at 31 December 2024, were pledged as collaterals for bank borrowings, lease liabilities, bills payable and performance bonds.

As at 31 December 2025, the total outstanding secured bank borrowings amounted to approximately HK\$123.39 million, as compared to approximately HK\$116.62 million as at 31 December 2024. Lease liabilities amounted to approximately HK\$0.06 million as at 31 December 2025, as compared to approximately HK\$0.02 million as at 31 December 2024. Additionally, bills payable amounted to approximately HK\$47.78 million as at 31 December 2025, as compared to approximately HK\$69.48 million as at 31 December 2024.

TREASURY MANAGEMENT

Funding and Treasury Policy

The Group adopts a prudent approach in its funding and treasury policy, which aims at maintaining an optimal financial position for the Group and minimising its financial risks. The Group regularly reviews the funding requirements to ensure there are adequate financial resources to support its business operations and future investments as and when needed.

¹ The calculation of inventory turnover days is based on the closing balance of inventories divided by the cost of sales and multiplied by 365 days (31 December 2024: 366 days).

² The calculation of trade and bills receivables turnover days is based on the closing balance of trade and bills receivables divided by the revenue and multiplied by 365 days (31 December 2024: 366 days).

Foreign Currency Exposure

The Group's cash, bank balances and bank borrowings were mainly denominated in Hong Kong dollar, Renminbi and United States dollar. The Group's results can be affected by movements in the exchange rates between Hong Kong dollar, Renminbi and United States dollar. The Group did not have any hedging instrument to hedge the foreign currency exposure as at 31 December 2025. The Group will continue to monitor its foreign currency exposure and requirements closely and arrange hedging facilities when necessary.

Capital Expenditure

During the year ended 31 December 2025, the Group invested a total sum of approximately HK\$1.63 million (2024: approximately HK\$2.17 million) in the acquisition of property, plant and equipment.

HUMAN RESOURCES

As at 31 December 2025, the Group employed a total of 413 employees, as compared to 459 employees as at 31 December 2024. Staff costs (excluding directors' emoluments) amounted to approximately HK\$80.43 million (including related equity-settled share-based payments of approximately HK\$0.21 million) for the year ended 31 December 2025, as compared to approximately HK\$88.39 million (including related equity-settled share-based payments of approximately HK\$0.25 million) for the year ended 31 December 2024. The Group has a comprehensive and competitive staff remuneration and benefits system which is based on the performance of individual employees. In addition, the Group also provides a staff option scheme.

PRINCIPAL RISKS AND UNCERTAINTIES FINANCIAL RISKS

Interest Rate Risk

The Group is exposed to interest rate risk due to changes in interest rates of interest-bearing financial assets and liabilities. Interest-bearing financial assets are mainly deposits with banks which are mostly short-term in nature, whereas interest-bearing financing liabilities are mainly bank borrowings with primarily floating interest rates. The Group is therefore exposed to interest rate risk. The Group's policy is to obtain the most favourable interest rates available.

Currency Rate Risk

The Group has transactional currency exposures. Those exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. The Group's main operating subsidiaries are in Hong Kong and Mainland China and the Group's sales and purchases were mainly conducted in Hong Kong dollars, United States dollars and Renminbi. The Group also has significant investments in Mainland China and its statement of financial position can be affected by movements in the exchange rate between Hong Kong dollars and Renminbi.

Credit Risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The Group maintains an allowance for the estimated loss arising from the inability of its debtors to make the required payments. The Group makes its estimates based on the ageing of its receivable balances, debtors' creditworthiness, past payment history and historical write-off experience. If the financial condition of its debtors deteriorates which resulted in actual impairment loss that might be higher than expected, the Group would be required to revise the basis of making the allowance.

BUSINESS RISKS

Market Risk

Market risk for the Group includes a loss of market share to competitors. Hong Kong and Mainland China, the core markets in which the Group operates, are becoming increasingly competitive. Failing to consider changes in Hong Kong and Mainland China could lead to a loss of business to competitors, adversely affecting the Group's financial position. As part of its efforts to best protect its business, the Group has specialised sales and marketing teams in its regions, along with competitive pricing policies and high-quality green and safe paint and coating products.

Operational Risk

Operational risk occurs when internal processes, people and systems fail, or due to external events, result in a loss in business. Every division and department in the Group is responsible for managing operational risks. There are sets of standard operating procedures, safety standards, limits of authority and reporting framework that guide key functions within the Group. As part of the management's risk management process, key operational exposures will be identified and assessed on a regular basis so that appropriate risk reduction steps can be taken.

ENVIRONMENTAL POLICIES AND PERFORMANCE

During the year ended 31 December 2025, the Group has carried out the following environmental works for the paint business of the Group with the aims of "Prevention First, Protect the Environment, Comply with Laws and Regulations, and Environmental Sustainability":

- (1) effective monitoring of air emission and source of water pollution in accordance with the relevant statutory and regulatory requirements;
- (2) disposal of hazardous solid waste via qualified waste disposal service providers;
- (3) effective use of water and electricity; and
- (4) providing education to the staff on environmental protection laws and regulations to enhance their awareness on environmental protection.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the year ended 31 December 2025, as far as the Group is aware, there was no material breach of or non-compliance with applicable laws and regulations by the Group that has a significant impact on the business and operations of the Group.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed above, there was no other significant investment acquired, nor was there any other material acquisitions or disposals of subsidiaries during the year ended 31 December 2025. The Board has not yet authorised any plan for other material investments or additions of capital assets.

EVENTS AFTER THE REPORTING DATE

There is no significant subsequent event after 31 December 2025.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares (including sale of treasury shares, if any) during the year.

The Company and its subsidiaries did not hold any treasury shares during the year ended 31 December 2025.

AUDIT COMMITTEE REVIEW

The audit committee of the Board has met the external auditor of the Company, ZHONGHUI ANDA CPA Limited ("Zhonghui Anda"), and reviewed the Group's annual results for the year ended 31 December 2025.

SCOPE OF WORK OF PRELIMINARY RESULTS ANNOUNCEMENT BY INDEPENDENT AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2025 as set out in the preliminary announcement have been agreed by Zhonghui Anda, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by Zhonghui Anda in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Zhonghui Anda on the preliminary announcement.

CORPORATE GOVERNANCE

The Board recognises the importance of and benefit from good corporate governance practices and has devoted considerable efforts to develop the best corporate governance practices appropriate to the business of the Group. For the year ended 31 December 2025, the Company has applied the principles and complied with the code provisions as set out in the Corporate Governance Code as contained in Part 2 of Appendix C1 (the “CG Code”) to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) except for the following deviation:

The code provision C.2.1 of the CG Code stipulates that the roles of the chairman and chief executive should be separate and should not be performed by the same individual. Since 6 June 2025, Mr. Tsui Yam Tong, Terry has been holding the dual roles of the chairman of the Board and the managing director of the Company. After evaluation of the current situation of the Company and taking into account the experience and past performance of Mr. Tsui Yam Tong, Terry, the Board is of the opinion that it is appropriate at the present stage for Mr. Tsui Yam Tong, Terry to hold both positions as it helps to maintain the continuity of the policies and the stability of the operations of the Company, and this structure can ensure the Company has consistent leadership. In addition, under the supervision by the Board, which currently consists of two executive directors, two non-executive directors and three independent non-executive directors of the Company, the interests of the shareholders of the Company will be adequately and fairly represented. Also, as all major decisions are made in consultation with and approved by the members of the Board, the Board believes that this arrangement will not have negative influence on the balance of power and authority between the Board and the management of the Company.

The Board will regularly review the effectiveness of this arrangement to ensure that it remains appropriate to the circumstances of the Company. The Board will review and consider splitting the roles of the chairman of the Board and the managing director of the Company at a time when the Group can identify a suitable candidate with capable leadership, knowledge and relevant skills and experience for the position. Owing to the business nature and scope of the Group as a whole, such an appropriate candidate shall have profound understanding and experience in the business of the Group and therefore there is no definite timetable for such appointment.

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix C3 to the Listing Rules (the “Model Code”). After specific enquiry by the Company, all directors of the Company confirmed that they have complied with the required standard set out in the Model Code and the Company’s own code during the year ended 31 December 2025.

On behalf of the Board
CNT Group Limited
Tsui Yam Tong, Terry
Chairman and Managing Director

Hong Kong, 27 March 2026

As at the date of this announcement, the Board comprises Mr. Tsui Yam Tong, Terry and Mr. Mak Chi Wah as executive directors; Mr. Tsui Ho Chuen, Philip and Mr. Zhang Jun as non-executive directors; and Mr. Ko Kwok Fai, Dennis, Mr. Huang De Rui and Ms. Lin Yingru as independent non-executive directors.